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BULLETIN OF AMERICA'S TOWN MEETING OF THE AIR

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Are Corporate Profits Too High?

Moderator, **GEORGE V. DENNY, JR.**

Speakers

WRIGHT PATMAN

HENRY J. TAYLOR

LEON KEYSERLING

ROBERT S. BYFIELD

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COMING

—January 11, 1949—

What's Behind the Crisis in Indonesia?

—January 18, 1949—

**Can Modern Capitalism Meet the Needs of
Modern Man?**

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"What's Behind the Crisis in Indonesia?"



THE BROADCAST OF JANUARY 18:

"Can Modern Capitalism Meet the Needs of Modern Man?"



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GEORGE V. DENNY, JR., MODERATOR

BULLETIN OF AMERICA'S TOWN MEETING OF THE AIR



JANUARY 4, 1949

VOL. 14, No. 36

Are Corporate Profits Too High?

Moderator Denny:

Good evening, neighbors. As this is the first week of the new year, we want to take this opportunity to thank our sponsors and station managers from coast to coast for their support during the past year and greatly enlarging our Town Meeting audience. We're especially grateful to our New York sponsor, the Modern Industrial Bank, for sponsoring us on television as well as radio. We'd like to take this occasion to congratulate them on securing two distinguished Americans to serve on the bank's Board of Directors, Mr. Henry Morgenthau, Jr., former Secretary of the Treasury, who is now Chairman of the Board, and Judge Robert Patterson, former Secretary of War.

We don't know what any of our sponsors think about tonight's question, but we know that they believe in free and open discussion of all questions concerning our national welfare. I want to repeat what I said last week when

we discussed the question of wages—"Let no enemies of the American system take any comfort from the fact that differences of opinion are expressed here tonight."

One distinction between us and totalitarians is that we discuss our differences freely and openly in order to arrive at just and fair solutions for all concerned. Thanks to our basic freedoms and the constructive use of them by our radio and press, we, the American people, are beginning to understand our economic system better than we've ever understood it before.

So tonight we ask the question, "Are Corporate Profits Too High?" Are wages too high? Are prices too high?

These questions might be considered none of our business if it weren't for the fact that both wages and profits reflect themselves in prices and prices become our business when inflation arises.

Tonight we're to hear from a man who has been a member of Congress since 1928, who's particu-

larly interested in small business; from another man who's Vice Chairman of President Truman's Council of Economic Advisors; another man who is an economist and radio commentator on this network; and a fourth who is a securities analyst and member of the New York Stock Exchange.

We hear, first, from Congressman Wright Patman, Democrat of Texas, who takes a strong affirmative position on tonight's question. Congressman Patman is a ranking member of the House Banking and Currency Committee and is also a member of the Small Business Committee and the Joint Committee on the Economic Report. He is scheduled to become chairman of one of the two latter committees very soon. Congressman Patman, welcome back to Town Meeting. (*Applause.*)

Congressman Patman:

Corporation profits are too high. Being strongly in favor of the profits system, I favor sufficient profits to give stockholders a fair return and to set aside a sufficient amount for all necessary expenses.

These excessive profits are causing an undue increase in the cost of living and a race between wages and prices which is in the direction of ruinous inflation.

Looking at industry as a whole, 1948 corporation profits will be over twenty billion dollars after the payment of taxes. This is more than five times the average cor-

porate profits during prosperous prewar years.

Individual corporations have reported unusually high earnings—one steel company up 40 per cent and one automobile manufacturing company up 53 per cent over the same period in 1947. These companies increased prices not just to cover increased cost but far in excess of what was necessary to cover cost.

In 1929, and other prewar years, corporations distributed 70 per cent of their profits after taxes to stockholders in the form of dividends. This is 100 per cent more than being distributed now by the same corporations. This means that they are raising their equity capital through high prices instead of in the market. It is referred to as costless capital.

It is costless to the corporation for it is paid by the customer-consumers. This has been described as taxation without representation. If these dividends were distributed as before the war, they would be available equity capital in the market because people would have the money to invest which would also be helpful to small and new businesses.

It is dangerous for the private enterprise system for big corporations to acquire their capital for expanding operations from excessive earnings caused by high profits. It is dangerous because the monopolistic tendencies involved.

These giant concerns are n

only buying up their competitors and making it more and more impossible for independent businesses to succeed in their own lines, but they're reaching out and buying non-related lines of industries.

The people should not be misled by attempts to compare the small net returns on sales in order to try to justify unreasonable depression making profits. The proper comparison is net profits after taxes on investments—not sales.

Oftentimes a one per cent profit on sales turnover is 25 per cent profit on the stockholder's investments.

High profits cause concentration of business and industry into the hands of a few which is the first step to socialism. So the question is, who are the real socialists? The courageous little fellow without anything but a strong voice, or the big fellow who is putting an industry into a single package and ripe for government ownership? I hope my friends, Taylor and Byfield, will give their answers to this.

The remedy is a reduction of corporation prices which will reduce their profits and promote the general welfare, especially small business.

If they refuse to accept just a reasonable profit, then an undistributed profits tax, or an excess profits tax, will be justified and should be enacted on a fair basis.

The Federal Government owes a

lot of money because we used dollars instead of men whenever possible in winning the last war. A payment on that debt should remind us that it saved the lives of millions of young men and at the same time saved our country from destruction and our people from slavery.

The entire country would be helped if additional taxes were levied on excessive profits and used to grant a tax exemption of \$50,000 annually to all corporations. If the big corporations are not willing to adopt the policy of live and let live, by permitting others to have the income to pay on this debt, they, themselves, should expect to be reasonably taxed for that purpose. Thank you, very kindly. (*Applause.*)

Moderator Denny:

Thank you, Congressman Patman. Our next speaker is an internationally known journalist and economist, Henry J. Taylor. Mr. Taylor is well known to Town Meeting audiences and is heard regularly over most of these stations on this network at 8:45 p.m. each Monday evening. Henry J. Taylor. Mr. Taylor. (*Applause.*)

Mr. Taylor:

Friends of Town Hall, here and across our land, here we are together again, and I hope you're going to have more patience tonight than I could expect you to have. Your real problems are worry enough for you or me or any-

body—your kitchen costs or finding a house to live in, clothing the kids, your need for lower prices, lower taxes, more true security—without hearing four people barking up the wrong tree about, "Are profits too high?"

Why, profits in general are disappearing out of the window, I'm sorry to say, so fast that millions of folks are worried sick about their jobs. For if profits go out the window, a depression comes in the door.

Have you noticed the C & O Railroad is laying off 5,000 men, the New York Central and the Pennsylvania are canceling train schedules? Is this because the railroads and the industries they serve are too prosperous? I am sorry to say it is not.

Based on the realities of this inflationary period, my friends, average corporate profits across our country are not only not too high, they are too low—too low to support the capital needs, inventory costs both in dollars and volume, tax liabilities and concurrent business risks foisted on us by Washington, D.C. *(Applause.)*

Have those who wish to confiscate further so-called profits notice that business borrowings are today at an all-time high, that American business never before in all history has been in hock on such a scale as this?

Congressman Patman refers to automobiles. I'd like to get right into that one if you don't mind.

Although 98 per cent of the companies that have made automobiles never made any profit—it's that competitive in that industry—anyway, take an automobile. Manufacturer's profit on the average car, of all makes of cars, comes to about 5 per cent of the car's retail price—about \$75 per car for an automobile consisting of 8,000 parts. The miracle is that the profit pennies can be figured so close—a magnificent achievement. But the taxes you pay on the cost of the car add up to not five per cent but over twenty per cent of the list price.

Every one dollar in five that you pay out of your pocket today for an automobile is for taxes; yet people are told taxes must go up to bring profits down. If that isn't getting the cart before the horse!

Now let's be frank. The real long term purpose of the earnings confiscators is to bring about the socialization of profits and employment, the confiscation of more and more people's earnings and savings.

Like most other Americans across our land, I am against that. I say we should leave more money in the pockets of people who earn it and put less in the hands of politicians who burn it. *(Applause.)*

Oh, it's legal all right, the money they take, made so by the politicians themselves. But it's basically indecent, degrading, un-

American, and as reactionary as Jesse James. These Washington fellows just never know when to quit taking the people's money. Don't forget, while it's true you don't shoot Santa Claus, they did finally plug Jesse James.

There is so much to cover tonight, my friends, and in a few moments my time is up in this preliminary, so I say what we need to do tonight is to talk cold turkey about the difficulties of sustaining any earnings and any profit at all, for we do not have a profit system. We have a profit and loss system, and it's already operating, taxwise, so unfairly on the basis of "Heads you lose; tails you lose," that millions who want to create something are saying "What's the use of taking a chance."

The result is already a profound threat to the dynamic economy required today for the needs of our hard-pressed people and of a forward-moving nation. I hope our Washington spokesmen and manipulators keep this in mind before it's too late, for they have promised prosperity as late as last November, and if they bring on a bust, that will be something all folks will remember.

As workers all, I'm worried about our future. Thank you for your kindness in listening to these views. (*Applause.*)

Moderator Denny:

Thank you, Henry J. Taylor.

Our next speaker is vice-chairman of President Truman's Council of Economic Advisors. Mr. Leon H. Keyserling was born in Charleston, South Carolina, has taught economics, held legal posts, and served with various governments in various government capacities. Mr. Keyserling, do you think that present corporate profits are too high? Mr. Leon Keyserling. (*Applause.*)

Mr. Keyserling:

I think that profits are the lifeblood of the American system of enterprise. They provide employment, they furnish plants, they help install machinery, and they keep the wheels of business going. Nobody who is for that American system of enterprise is against profits as such, and I will not be put in that position in order to make a discussion more sensational. (*Applause.*)

The position that I hold—and although I speak only for myself, I think it is the view of the Administration in Washington—is that we should have the highest level of profits that is consistent with sustained American prosperity, and that the prosperity of business, the prosperity of workers, the prosperity of agriculture, and the prosperity of us all go together.

I think we should all pull together toward that end. I don't think we can pull together toward that end if Government calls busi-

ness names or if business calls the Government and the people names. (*Applause.*)

I do think that under present circumstances, corporate profits taken as a whole, are too high for the safety of business, and for the safety of economy, and that's the only test I know how to apply. I think that for three reasons.

In the first place, if we compare 1947 and 1948, corporate profits before taxes have risen from 30 billion dollars to 34 billion dollars, and after taxes, they've risen from 18 billion dollars to 21 billion dollars, a gain of about 15 per cent. I say that is not a sustainable or healthy rate because at that rate, at an accumulative basis, profits would be doubled about every six or seven years and our economy just can't run that way.

In the second place, I think that they have been too high because they have been more than the amounts necessary to maintain high levels of business investment and activity, and I am for those high levels.

In 1947, only 53 per cent of American investment activity, in the corporations, was financed by profits and by depreciation reserves. In 1948, that rose to 63 per cent, which simply means that they were taking more in profits than were needed to maintain the high level of business investment and activity.

The third reason why I think that

profits are now too high in corporations is that they are bringing about a relationship between the income of our major producers and the income of our consumers, which will not maintain the economy and a healthy balance.

If we compare 1948 with the last prewar year, 1939, we see that the income of consumers as a proportion of the total has gone down from 66 per cent of the total to 62 per cent, which on a percentage basis is really a drop of about 12 per cent, and the corporate profits have gone up from eight per cent of the total, to 12½ per cent, which is really a gain in corporate profit share of about 50 per cent.

Now I think the first remedy for this is a restrained voluntary price policy on the part of business itself. If business learns how to sell more goods at lower prices at a smaller return for unit, it can help to retain high volume and that will be good for you and it will be good for everybody and it will be good for business. That's the main thing—not to try to float along by a lower volume and higher prices.

The Government also must do something about it because the Government represents the people. I think that somewhat higher taxes, at this time, on corporate profits would place a restraint upon their unhealthy levels and, furthermore, would help the Government to retire part of the huge na-

tional debt, which is a profoundly important thing at this time.

That would be a prudent business policy. It would not only be a prudent business policy, but it would reflect the Government, determined and consecrated to follow policies at all times, directed toward the health and stability of the whole economy. No one should take more comfort in that than business itself, which depends upon that economy for its welfare and future security. Thank you. (*Applause.*)

Moderator Denny:

Thank you, Leon Keyserling. Our next speaker is an investment counselor in Wall Street and is proud of it, and we learn from many of his associates that they, too, are proud of him. Mr. Robert S. Byfield is a member of the New York Stock Exchange, a member of the New York Society of Security Analysts, has served as the director of several businesses, and has written extensively for many financial and business publications, and is, therefore, amply qualified to speak on tonight's question. Mr. Robert S. Byfield. Mr. Byfield. (*Applause.*)

Mr. Byfield:

I'm indeed happy to note the many good things which Mr. Keyserling has said about profits, particularly high profits, but I'm going to cross swords with him on a number of his conclusions.

In the first place, 1948 real prof-

its were only 16 to 17 billion dollars, and not 21 billion. To reach my figure, I deducted three and one half billions as representing inventory profits, which, as the Department of Commerce itself admits, are a mirage.

I also deducted a billion or so representing the amount by which wear and tear on plant and equipment have been understated in corporation income accounts. I've got plenty of authority for that, including such leading figures in the accounting world as Professor Paton of Michigan, and Mr. George Bailey, president of the American Institute of Accountants, who recently testified before Mr. Patman's committee in Washington.

Now in the second place Mr. Keyserling has said that corporate profits—and he meant before taxes—as a per cent of national income, had risen in 1948 over 1939, and that the compensation of employees had fallen percentagewise in this nine-year period.

He is right, but I claim you can't eat percentages, and the wage-earner is far better off today than in 1939. His wages have risen a hundred billions. In 1939, weekly wages were about \$24. They are \$53 now. Non-farm employment has risen from 36 million to over 52 million people.

Frankly, Mr. Keyserling could have chosen 1932 or 1933 when the compensation of employees was even higher, and ran up to 70 per

cent or more of the national income. But profits were nil, and all that would have proved was that the harder the times, the bigger the percentage.

However, Mr. Keyserling and I could stand up here all evening and throw figures of profits and wages at each other. Taken over the last 16 years, however, excluding the war years, these statistics show that in every year, business expenditures closely follow the trend of corporate net profits, while pay rolls and number of jobs follow closely the trend of business expenditures.

What do these relationships mean? They mean that corporation net profits are the single greatest dynamic force of the business structure in the determination of wages and employment. They mean that if capital expenditures are cut back because profits are cut back, everyone loses.

Labor would lose the jobs created by the actual building of factories. Labor would lose the jobs in operating the new factories. The public would lose the benefits of new, modern, low-cost production. Government would lose the tax receipt of the new plants. So I join Mr. Taylor in saying that a blow at profits is a blow at employment.

To Mr. Keyserling and Mr. Patman I say it's the size of the national pie that counts, much more than who gets a bigger slice of a smaller pie.

Our 1948 national pie was 225 billion dollars—the biggest ever. The wage earners got 141 billion slice of this, or 61 per cent. Real corporate profits were only 16 or 17 billion dollars, or only a 7½ per cent slice.

Now if one great economic group is going to start pushing another group around, it will shrink the national pie. To do so would be economic cannibalism.

If Karl Marx could be told of the accomplishments of American industry since V-J day, the standard of living it has made possible, and above all, the transformation of shortage into plentiful supply, not only for our own 148 million people, but for most of the western world, he would turn over in his grave. (*Applause.*)

Moderator Denny:

Thank you, Mr. Robert Byfield. Well, gentlemen, you are ventilating this case very well for us. I hope now you'll come up here around the microphone and join me in a little discussion before we take the questions from the audience, so that we can see a little more clearly just what your statements have meant so far. Congressman Patman, we haven't heard from you for a while, and you've heard three speeches. Now what's your first comment?

Congressman Patman: I would like to ask Mr. Taylor this question. What chance has a small businessman who borrows his cap-

ital in the market and pays interest on it in competition with the big national corporation that gets its capital through increased prices to the consumer which is closest to the corporation? What chance has a GI going into business against such a national corporation as that, and how long would it be before we'll have monopoly under such a plan?

Mr. Taylor: What chance has a GI going into business, period? (*Laughter and applause.*) We've got a setup in this country by which these fellows thought they were going to break up business progress in such a way as to socialize profits. The end product is that you have to be an established large and previously prosperous company to even stay going.

Now, the Congressman is chairman of a committee that's done a lot of talking for a lot of years for small businessmen. But every time the chips are down, the answer seems to be, "Find out where the money—any money—is, and grab it, whether it's in the small businessman's hands, or not!"

Congressman Patman: It is used for a good purpose—the money that is raised—to pay the national debt which was used to save the lives of American soldiers.

Mr. Taylor: Now, wait a minute, Congressman. This money is used for a lot of different things, one of which is to keep over 2,200,000 on the public payroll at a cost

of over \$6,500,000,000 a year. If we could cut the waste out of here, we wouldn't have to increase any taxes; we could get down and watch this country roll.

Congressman Patman: You fail to specify the reduction that should be made.

Mr. Taylor: I have read the Hoover Commission, and I think if you follow those, you will make a great start. (*Applause.*)

Congressman Patman: Don't follow Mr. Hoover.

Mr. Denny: Just a minute, gentlemen, you're getting off on a subject of government economy and the Hoover report. I think we can take that up at another time. Let's stick to the subject of "Are Corporate Profits Too High?" Mr. Keyserling, have you got a comment here?

Mr. Keyserling: I want to make a few comments about figures, although they seem complicated. Mr. Taylor said that 98 per cent of the automobile companies are making no profits.

Mr. Taylor: Oh, no, I didn't say that.

Mr. Keyserling: Yes, you did. Now just a minute.

Mr. Taylor: I said 98 per cent of the people who made automobiles never made a profit and that's true. (*Confusion.*)

Mr. Keyserling: That proves my point even more—98 per cent of them never made a profit, but he didn't say that the other 2 per cent are making more cars and selling

more cars and making all the profits as against the 98 per cent. That's just what I'm concerned about. (*Applause.*)

Now coming to point 2, I think that the size of the national pie is more important than who gets it. But they're both important. Even if you have a big pie, if business gets too big a slice, it gets a stomachache and lies down in the sun instead of keeping on producing, and if other people get too small a slice, they get awfully discouraged or they starve.

Getting back to what Mr. By-

field said, why I didn't go back to compare that situation with 1932, is that I don't want to look back to 1932, I don't want to look back to a situation where there were 15 million people unemployed, and where business income had gone down to zero—I admit that—and when national production had fallen in half. I want to look forward to a situation where we don't recreate the conditions which lead to that again. (*Applause.*)

Mr. Byfield: Mr. Patman has asked the \$64 billion question.

THE SPEAKERS' COLUMN

WRIGHT PATMAN—Democratic Congressman from Texas, Wright Patman is a member of the House Banking and Currency Committee and the Small Business Committee. He is a member of the Joint House and Senate Committee on the economic report, and also co-author of the Robinson-Patman Act.

Born near Hughes Springs, Texas, in 1898, Congressman Patman received his law degree from Cumberland University in 1916. Admitted to the Texas bar in 1916, he began his practice of law at Hughes Springs. The same year, he was assistant county attorney of Cass County, Texas. From 1924 to 1929, he was district attorney for the 5th Judicial District of Texas. From 1921 to 1924, he was a member of the Texas House of Representatives. Since 1929, he has been a member of the U.S. Congress serving the First Texas District.

During World War I, Congressman Patman was a machine gun officer.

LEON KEYSERLING—Vice chairman of President Truman's Council of Economic Advisors, Mr. Keyserling is a lawyer and an economist. He was born in Charleston, S.C., in 1908. With an A.B. from Columbia and an LL.B. from Harvard he was admitted to the New York bar in 1931. Following a year as an assistant in the department of economics at Columbia, he became an attorney in the Agricultural Adjustment Administration. From 1933 to 1937, he was secretary and legislative assistant to Senator Robert F. Wagner.

Mr. Keyserling has served in several capacities with the U. S. Housing Authority, the Federal Public Housing Authority, and the National Housing Agency. He has written many pamphlets, essays, and articles on housing, legal subjects and the like. In 1944 he won \$10,000 second prize in the Pabst Postwar Employment Awards for his essay, "The American Economic Goal; A Practical Start Toward Postwar Full Employment."

HENRY J. TAYLOR—Henry J. Taylor, economist and author, is widely known as one of the most famous of America's newspaper correspondents. He is also highly popular as a radio commentator.

Mr. Taylor is the author of many books including: *It Must Be a Long War*, *Why Hitler's Treadmill Economy Fooled the World*, *Time Runs Out*, *Man in Motion*, and his latest book, *Men in Power*. He is also a contributor to *The Reader's Digest*, *Saturday Evening Post*, and other periodicals.

Henry J. Taylor has been a regular commuter to Europe and an on-the-spot observer of world affairs since 1923. His regular journalistic work has featured interviews with leading figures both at home and abroad.

ROBERT S. BYFIELD—Mr. Byfield is a financial writer and a member of the New York Stock Exchange. He is a securities analyst and is a former president of the American Foreign Investing Corporation.

He says, "Who are the Socialists?" Now there are many ways you can tell a socialist, but I've got one formula: By their taxes ye shall know them. (*Applause and laughter.*)

I just want to point this out; that the American Government—state, local and federal—collect 57 per cent of their revenues by taxing corporate and individual incomes, and the British only collect 41 per cent of their revenues by taxing incomes. Just on that I think we've socialized the socialists.

Mr. Denny: All right, now, Mr. Taylor.

Mr. Taylor: Why, Mr. Keyserling, I'd like to get into that 98 per cent business. You know it's been my experience on this kind of forum that you can't trust your friends' recollections. So this is what I did say: Although 98 per cent of the companies that have made automobiles never made any profit, it's that competitive. Now, there have been 2,000 different makes of automobiles put on the market. Of those 2,000—you remember many; the Locomobile and others that came and went—in that most intensely competitive industry, 54 have been able to live with the votes of the people. I would like to see my friend here go into the automobile business, make the wrong kind of car, and sell it at the wrong kind of price, and then cry "Monopoly!" (*Applause.*)

Mr. Keyserling: I really can't

answer that because the comments haven't been directed to what I said. I still say that while 98 per cent of the companies could never make a profit, the important thing is how many of the cars were made and sold by the other 2 per cent of the companies, and what kind of profits did they make? Because that's the automobile business.

Mr. Taylor: I just got through telling you that there are 8,000 parts in an automobile, and the average price is \$75 in profit per car. The miracle is that they could figure their profits on 8,000 parts and put them together and make \$75, and make these magnificent cars—the best in the world. That takes some doing, my friends, some real honest-to-goodness American doing. (*Applause.*)

Mr. Byfield: Mr. Patman mentioned the steel company whose earnings were up 40 per cent this year over last, and I think he means Bethlehem Steel. Now, I think I'd like to throw some light on that. In the first place, they're doing a lot more business—a third more business. Furthermore, they're doing a little financing.

Now just to show you how difficult it is for even a great company like that to go to the public and get money, let me just give you a few figures. That company has 9 million shares of stock, and they produce 44 million tons of raw steel per annum. In order to increase their production only about

11 per cent, they'd have to go out and sell another 9 million shares of stock because the cost of new steel mill construction is so high, compared with the low price at which they'd have to sell the stock, that that result would occur.

Mr. Denny: All right, thank you. Congressman Patman.

Congressman Patman: He complains that the Bethlehem Steel Company cannot get its capital in the market. If the corporations, retaining two-thirds of their earnings and giving one-third to the stockholders in dividends, would reverse that and adopt the policy they had before the war, and retain one-third and give two-thirds to the stockholders, there would be plenty of capital in the market that they could obtain. (*Applause.*)

Mr. Taylor: Why, Congressman, they couldn't give two-thirds to the stockholders, they'd have to give it to the Government, because you've got this thing rigged up in double taxation. (*Voice of Congressman Patman.*) Well, now let's get that straight—that's something you fellows always leave out . . . after tax. Every time we turn around we're taxed. Heaven's sakes, there are millions of people in our country paying more today in taxes than they used to pay in rent.

Congressman Patman: They're getting along better by doing that, too.

Mr. Taylor: Well, if they can find a place to live, they are.

Mr. Denny: What did you say, Congressman? Let's get these comments on the record.

Congressman Patman: I say they're getting along better under present conditions when they're paying more taxes—they have more to pay with. You don't want to go back to the time of Mr. Hoover when they didn't have the ability to pay their taxes. (*Applause.*)

Mr. Taylor: Congressman, if you fellows don't watch your step, at the speed that the American economy is moving today, and you prevail in some of these ideas that you're doing, remember what I said, if you don't mind, they did finally plug Jesse James.

I would be very careful about talking too often about the last depression until we get a good look at how stable the future is going to be. I hope and pray that this country makes the grade with a stable economy, but this present prosperity, my friends is very touchy. It could be easy to slaughter and it won't stand much kicking around in Washington, D.C. (*Applause.*)

Mr. Keyserling: I'm sorry that I haven't been able to be drawn into a detailed discussion of automobile parts, or even automobile cranks. On the other hand, I want to stick to one main point. I'm for the highest level of profits that can be sustained in a healthy economy, but when we see that between 1947 and 1948, consumer expenditures, which reflect their in-

come, went up 7 per cent and their incomes went up 9 per cent, while business-retained earning went up 26 per cent, I say you can't continue to run a full employment economy with retained earning going up three times as fast as consumer income. That's my central point.

Mr. Denry: All right. Mr. Byfield?

Mr. Byfield: The only answer I have to that is that it's just as good, at times, to build shoe factories as to give people money to buy the shoes. You've got to have them both. You've got to build automobile factories before you can expect people to buy the automobiles, because otherwise they wouldn't have any.

Mr. Denny: Yes, Congressman Patman.

Congressman Patman: Mr. Taylor has made a prediction as to what will happen if my views prevail. I want to make a prediction if his views prevail. (*Applause and laughter.*) He'll have to change the name of that fine broadcast of his from "Your Land and Mine" to "My Land That Was Your Land." (*Applause and laughter.*)

Mr. Taylor: Don't you worry about this country. When this country finds itself being told a lot of things that cannot be supported by facts, our people have a way of quietly making up their minds where the true future lies. At some point in here, when you

realize that if people in the State of Indiana, for example—Indiana is a good example; a good prosperous state—the people there have a percentage of the national debt today which just happens to work out about 7 billion dollars. Well, sir, if the people of the State of Indiana, tonight, sold all the family furniture, the family car, every house, every factory, every farm, every business, every cow and every pig, they would still owe these fellows in Washington three billion dollars. (*Applause.*)

Mr. Denny: All right, thank you, Mr. Taylor. Now, I see a lot of good-natured people ready in the audience with questions. While we get ready for our question period, I'm sure that you, our audience, will be interested in the following message:

Announcer: You are listening to the 541st broadcast of America's Town Meeting originating tonight in Town Hall, New York. We are about to take questions from the audience.

For your convenience, Town Hall prints each week a complete text of each Town Meeting, including the questions and answers to follow in the Town Meeting Bulletin. Copies of tonight's program, as well as past and future programs, may be secured by writing to Town Hall, New York 18, New York, enclosing 10c to cover the cost of printing and mailing. You should allow at least two weeks for delivery.

If you would like to subscribe to the Bulletin for six months, enclose \$2.35, or for a year send \$4.50. Or, if you would like a

trial subscription, enclose \$1.00 for eleven issues.

Now, for the question period we return you the Mr. Denny.

QUESTIONS, PLEASE!

Mr. Denny: To start our question period, we hear a question from the gentleman on the fourth row here.

Man: Congressman Patman. To date, wage increases have been followed by price increases. If management took a cut in profit, would they not be entitled to ask labor to take a cut in wages?

Congressman Patman: A wage increase would be unnecessary if corporations reduced their prices. There would be no occasion for a wage increase. I don't know just how fair the adjustment is between management and labor now, but certainly there will be a race between wages and prices if something is not done and the best step in that direction that could be done would be for these corporations with the excessive profits to reduce prices, and, thereby, render unnecessary an increase in wages.

Mr. Denny: All right, thank you. Mr. Taylor, do you want to comment on that?

Mr. Taylor: Yes, I do, because that's all part and parcel of a typical appeal to our ignorance, I'm sorry to say, like blaming the high price of meat on packing company profits, and you've heard

that one. Yet, the government's own figures show that packing companies' profit is far less than a cent a pound on all this high priced meat, and if the entire profit were taxed out and the whole industry thrown in the red and everybody lost their jobs, the difference would be something like a quarter of a cent a pound.

Mr. Denny: All right, thank you. Mr. Patman, have you any further comment?

Congressman Patman: Meat, I do not believe, is a fair example. You will notice Mr. Taylor has given a percentage on sales, not on invested capital. There is a big difference between the two. The comparison should be on invested capital and not on sales, because one per cent of sales often times will be 25 per cent on invested capital.

Mr. Denny: Mr. Taylor.

Mr. Taylor: Mr. Congressman, the consumer pays his price in relation to sales price, not invested capital. (*Applause.*)

Mr. Denny: All right, thank you. Mr. Byfield, do you have comment on this?

Mr. Byfield: Well, now, Congressman Patman has brought up

a very dangerous subject, and that is to start correlating profits to invested capital. What invested capital? How do you figure it? Do you figure it on the cost of the company's assets, or what they would cost today? Now, if you start figuring profits in today's dollars on yesterday's costs, you're going to get into a lot of trouble.

Furthermore, if you start telling business that you're going to let it earn a certain percentage on cost of its plant, you've got nationalization. The only difference between that and what the British have is that the British take stock certificates away from you, where that type of system tells you that the owners of the plants only become landlords, and that you can earn four or five or six per cent on your property. I don't see any difference in those two systems. (Applause.)

Mr. Denny: All right, thank you. You'd better stick by, Mr. Byfield, here's a question coming up for you.

Man: This question is for Mr. Byfield or Mr. Taylor. If production for use cannot exist without production for profit, how do you explain the nonprofit efficiency and practicality of TVA's, MVA's, and even the entire American system of social security?

Mr. Byfield: Well, that's a big question, but we'll start with TVA. In the first place, no one has yet figured out—at least, I haven't been able to find out, for there

are two or three ideas about it—whether TVA is really run on a business basis.

In the first place, I suspect that TVA has not allocated a sufficient cost to power installations. The second point that I make is that TVA probably is not paying the same taxes as a private public utility would pay that was in the same area.

Now, until some of those things are ironed out, and the Government has been pretty cagey about telling us, I don't know what TVA is doing. I suspect that the TVA area is getting a lot of cheap power that people up in Vermont and California and Illinois are paying for, only they don't know it. (Applause.)

Mr. Denny: Thank you. The gentleman on the aisle on the other side of the house.

Man: Mr. Taylor. Why do you object to an excess profits tax law, fairly written, so as to leave reasonable profits untouched?

Mr. Taylor: May I repeat the question? Why do I object to an excess profits tax, fairly written, so as to leave reasonable profits untouched? Was that what was written on your card?

Man: That is my question.

Mr. Taylor: Well, my friend, who is going to write it? Who is going to say what's reasonable? And how are they ever going to decide that they do get a profit which will, in the eyes of the fel-

lows that are supposed to be in ivory towers, give us a dynamic account? You either believe in competition and an open road in our country under proper, enforced, sound, American law, or you believe in state socialism through the back door. The real trouble is that a lot of these fellows would like to see socialism in our country, but they haven't got the nerve to say so. (*Applause.*) And I'd like to bring up this point about excess profits tax. Our whole tax system needs to be overhauled, my friends. It isn't built, any more than our railroad bridge structure is, on economic lines. It's a jerry-built thing springing up from political needs. Oh, pardon me, I am talking, I understand, in the wrong microphone. (*Laughter.*)

Mr. Denny: That's all right. I think they got you.

Mr. Taylor: That's for the benefit of anybody who isn't looking over television at Milton Berle.

Mr. Denny: Milton Berle's off the air now. We've lost that competition. All right, the gentleman on the front row.

Man: This question is for Mr. Keyserling. You advocate restraint of profit by corporations. By the same token, do you advocate restraint of government spending?

Mr. Keyserling: I think that there's a very simple formula for government spending. Government spending should always be held to the lowest levels consistent with

such amounts of national security, such living up to international obligations, and such services as the people decide that they want because the government is their government. There's no way to apply any other test to the levels of government spending. Government spending should always be held to the lowest levels consistent with that purpose.

Mr. Denny: All right. Thank you, Mr. Keyserling. Now, the gentleman on the aisle.

Man: Mr. Taylor. If corporate profits are too low, why do big corporations continue to expand instead of leveling off or even quitting?

Mr. Taylor: There are an awful lot of men in business asking themselves that same question (*laughter*) and there is the nut of it. You know, no other country in the world could have, would have, or has been willing to proceed in the progressive way that our country has.

But, in the uncertainties that exist, I'd just like to make one small humble point. This is no time to experiment, to crowd, no time to get gay with the U.S.A.

We don't know just what the circumstances are going to be in the future, and this country has got to be strong for us here at home and for the preservation of world peace. If we all have to give up something for that, I'm for that. But let's not do it on a grab bag basis. (*Applause.*)

Mr. Denny: The gentleman on the aisle, please.

Man: My question is directed to Representative Patman, and the question is that if American industry, as we know, is generated by profits—the whole system being built upon profits—how would you fairly allocate them as a return upon their work and from their investment?

Congressman Patman: I think the profits were fairly allocated before World War II—two-thirds to the stockholders, one-third for other necessary expenses, including replacements and other proper expenses.

Now, I think the allocation is very unfair. The stockholder seems to be the forgotten man in this country. He's only getting one-third of the profits and two-thirds are in the hands of the officials of the corporation to use as they see proper. So, I prefer the system used before the recent war rather than the system being used today. (*Applause.*)

Mr. Denny: All right, thank you. Mr. Byfield have you a comment here?

Mr. Byfield: There's one remark that Mr. Patman made that I simply can't let pass. That is when he called the stockholder the forgotten man. I disagree with that. I don't think he's forgotten. There are too many people figuring out how to keep him from getting dividends in the first place, and after he gets them, there are too

many people trying to figure out how to take them away in the second place. He's not forgotten. (*Laughter and applause.*)

Congressman Patman: I mean he's forgotten by the corporations, that's what I mean. (*Applause.*)

Mr. Denny: All right. Thank you, Mr. Patman. Now, the lady on the center aisle there.

Lady: Mr. Taylor, do you deny that we have inflation now? If not, then what would you say is the cause of inflation—profits, or what?

Mr. Taylor: Well, that's a loaded question, I'm afraid, because there are so many causes for inflation that to use the word profit in this discussion does seem to me to be a little loaded, wouldn't you agree? The real basis for inflation in our country is an overgrown supply of borrowed money taken from the people, much of it used for very good cause, not the least of which was the winning of this terrible war.

Other millions and billions are wasted, like the 500 million dollars that we flew over the hump in gold to China, that I saw go directly into the hands of the Japanese. These financial pressures, plus a shortage of goods, and an enormous consumer demand have caused fundamentally, against the world scene, inflation. But to single out profits and say that inflation is the result of profits is to look this gigantic camel by the

hair of one eye. You can prove that mathematically.

Mr. Denny: Thank you. Now the gentleman in the center of the hall.

Man: My question is directed to Mr. Byfield, but also to Mr. Taylor, if he cares to comment on it. Could corporate profits ever become too high in your opinion? If so, when? (*Laughter and applause.*)

Mr. Byfield: Corporate profits could only become too high when profits fail to fulfill their task in the national economy. I'd like to add something to that because it might clear up some things. I think we've been talking too much about money and we haven't been talking enough about production and the other things that industrialists talk about.

Take one little item I'd like to get across to you. In 1940, the United States Steel Corporation produced fifteen million tons of steel. In the first nine months of 1948, they produced just exactly the same number of tons of steel.

Now this year they got 70 per cent more for that steel. A lot of people are going to say that's inflation. What really happened was that when they got all finished in 1948 they could only buy thirteen blast furnaces with their profit, where in 1940 they could have bought thirty. Now, is that inflation, or isn't it?

Mr. Denny: Thank you, Mr. Byfield. Now while our speakers

prepare their summaries of tonight's question, here's a special message of interest to you.

Announcer: After each Town Meeting and Town Hall lecture, nearly always someone approaches Mr. Denny with the question, "But what can I do about this?"

To answer this question, Mr. Denny has prepared a brief 12-point pamphlet which tells you simply and practically what you can do to be an active citizen in this democracy and how you can help this Nation meet its responsibilities to the world.

Last week we received a request from a national organization for prices on large quantities of this pamphlet. In case there are others of like mind, we want you to know that this pamphlet is available at considerably reduced cost in larger quantities.

For single copies, the price is ten cents to cover the cost of printing and mailing. If you would like a single copy or would like information on larger quantities, ask for Mr. Denny's pamphlet, *What Can You Do?* Send your request to Town Hall, New York 18, N. Y.

Now for the summaries of tonight's discussion, here is Mr. Denny.

Mr. Denny: First, Mr. Byfield, may we have your summary?

Mr. Byfield: Properly adjusted to give effect to the realities of this inflationary postwar period, corporate profits were not too high.

We live in a profit and loss system, and it is strange that those who seek to judge the fairness of profits are silent about judging the fairness of losses.

It is a philosophical fallacy to contend that corporate profits are too high as long as those profits have accomplished their task in the national effort. This they have done by their help in leading the Nation out of grave shortage into sufficiency of supply.

Mr. Denny: Thank you, Mr. Byfield. Now, Mr. Leon Keyserling.

Mr. Keyserling: Mr. Byfield said something about our not balancing profits against losses. I don't want to balance "booms" against "busts;" I don't want to balance depression against prosperity.

I say that current profits are too high now because they are based on the philosophy that you have to have excessively high profits in some periods to take care of depressions later on when those very excessive profits tend to generate and bring on the depressions.

I'm a friend of the profit system and I want to see them stabilized at levels that can be maintained. They're too high now because they are at higher levels than are needed to produce the investment and jobs that are being produced. They're at a higher ratio to those other things than they've ever been before, and they're not at a pattern that can be maintained. I want

them to level off before they crash. (*Applause.*)

Mr. Denny: Thank you, Leon Keyserling. Now a summary from Henry J. Taylor.

Mr. Taylor: I'm sorry to say that I think the difficulty in a discussion of this kind is that it becomes completely visionary. The practical man that has to meet the payroll is left pretty cold by the other fellow's profits when he's having a hard time staying out of bankruptcy himself.

We don't have any central profit-producing motor that turns out juice, that can be speeded up or slowed down the way these men wish to have it. Every particular business is a particular business problem. The more efficient companies are bound to make more money than the less efficient companies. What's wrong with that? That's the way we get progress.

Now if these profits look high, the average fellow can't be expected to go into a statistical study of it, but if they just look high, remember, like the slogan for Postum cereal, "There's a reason." In an inflationary period, the profit dollars look like dollars but they behave like fifty cent pieces. The cost of living has gone up in business just as every housewife knows it has in her household and dollars just don't go as far. (*Applause.*)

Mr. Denny: Thank you, Mr. Taylor. Now our final summary from Congressman Patman.

Congressman Patman: I'm impressed that Mr. Byfield and Mr. Taylor are advocating the same policy of pouring money in at the top to help the masses that President Hoover tried nearly 20 years ago. It almost wrecked our country then when our national debt was only 26 billion dollars. It would surely wreck our country now when our national debt is ten times that much.

We must protect small business from the encroachment of big business by restraining greed. We must not permit the devastating policies of Herbert Hoover to return. (*Applause.*)

Mr. Denny: Thank you, Congressman Patman, Henry Taylor, Leon Keyserling, and Robert Byfield. Well, friends, if we haven't reached agreement on tonight's question, let's hold steadfastly to our faith in the discussion method as a means of arriving at fair and just decisions. To falter in this faith is the begin-

ning of totalitarian thinking. Remember, if you want a copy of tonight's program complete with questions and answers, send to Town Hall, New York 18, New York, for a copy of the Town Meeting Bulletin. Enclose 10 cents to cover cost of printing and mailing.

Next week, our subject will be, "What's Behind the Crisis in Indonesia?" Our speakers will be Mr. Soedjatmoko, a member of the Indonesian delegation to the United Nations, just returned from Paris; General Carlos P. Romulo, Ambassador Extraordinary and Plenipotentiary of the Republic of the Philippines; Dr. Jom Broek, professor of geography of the University of Minnesota; and Dr. Robert A. Smith, member of the Foreign News Department of the *New York Times*.

So plan to be with us next week and every Tuesday at the sound of the crier's bell. (*Applause.*)